

Memorandum

To: Panel Members Date: January 23, 2003

From: Dolores Kendrick, Manager
Peter DeMauro, General Counsel Analyst: E. Wadzinski

Subject: One-Step Agreement for **Dunn-Edwards Corporation**
(www.dunnedwards.com)

CONTRACTOR:

- Training Project Profile: Retraining: Companies with Out-of-State Competition
- Legislative Priorities: Promotion of California's Manufacturing Workforce
Moving to a High Performance Workplace
Developed Jointly by Management and Workers
- Type of Industry: Manufacturing Paint Products
- Repeat Contractor: Yes
- Contractor's Full Time Employees:
 - Company Wide: 1,500
 - In California: 1,050
- Fringe Benefits: Yes
- Union Representation: Yes
- Name and Local Number of Union representing workers to be Trained: Steel, Paper House and Chemical Drivers, Helpers and General Warehouse Workers, Teamsters Local 578

CONTRACT:

- Program Costs: \$494,520
- Substantial Contribution: \$0
- Total ETP Funding: \$494,520
- In-Kind Contribution: \$1,635,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Statewide
- Duration of Agreement: 24 months

SUBCONTRACTORS:

California Training Coalition, Upland, California, \$64,000 for project administration.

THIRD PARTY SERVICES:

The Contractor states California Training Coalition helped with the preparation of the ETP application, the training plan, curriculum and other Agreement requirements. For these services it was charged a flat rate of \$7,500.

ACTIVE PROJECTS:

The following are current project statistics:

Agreement No.	Term	Agreement Amount	Number To be Retained	Number Enrolled	Number Completed Training	Number retained for 90 days
ET01-0206	12/31/00-12/30/02	\$451,470	431	*454	363	*254

*The Contract Status Report dated 12/18/02 showed the above statistics. However, during the Final Monitoring Visit conducted on December 16, 2002, the Contractor indicated that 363 trainees completed all training and will complete the 90-day retention period, generating a completion rate of 84 percent, of the 431 retained retrainees.

NARRATIVE:

Dunn-Edwards Corporation (Dunn-Edwards) is eligible to receive ETP-funded training under Title 22, California Code of Regulations, Section 4416(b), which states in part: "A company engaged in manufacturing is deemed to meet the out-of-state competition requirements for purposes of Panel funding." The Contractor also meets the Employment Training Panel's funding priority of developing "workers with skills that prepare them for the challenges of a high performance workplace of the future, and promoting the retention and expansion of the state's manufacturing workforce" as specified in Unemployment Insurance Code Section 10200 (b)(3)(7).

Dunn-Edwards manufactures a complete range of premium architectural paints and coatings that are distributed throughout the Southwest via 69 company-owned stores.

Over the past three-quarters of a century, Dunn-Edwards has grown into the largest, family-owned and operated paint company in the Southwest. On April 20, 2001, the business was purchased through an Employee Stock Ownership Plan (ESOP) that transferred ownership from the Edwards family to the workers. While the cornerstone of Dunn-Edwards' business philosophy is commitment to research, formulation technology, and service and support for each of its customer divisions, the new \$100 million debt from the ESOP purchase is changing business practices dramatically. Prior to the ESOP, stores would be kept afloat no matter the cost, and poorly performing employees were at most demoted but rarely, if ever, terminated for poor performance. New financial commitments now require that steps be taken to insure the profitability of each store location, which has led to the closure of stores in Colorado and New Mexico and the loss of many jobs. Currently, employees who are not performing are provided with coaching and training and then re-evaluated.

NARRATIVE: (continued)

Dunn-Edwards realizes that it has to change the company culture and train employees to compete in today's market place. If the company does not dramatically improve the skills of its workforce, better-trained personnel will likely displace these employees, some of who have been there for decades. Consequently, in order to keep stores profitable, keep workers employed, continue to offer quality products and services, and meet customers' needs, Dunn-Edwards has determined that it needs to move the company into a high performance workplace environment, which requires new and ongoing training.

Support from ETP will allow the company to offer more training than would otherwise be possible in a reasonable and meaningful time frame. Seven hundred fifty-one (751) people will be trained, 601 for the first time. One hundred and fifty (150) who took part in the previous Agreement will repeat participation in this new proposal as follows: Forty (40) production staff who were trained in Literacy and Manufacturing Skills will now receive a SAP overview (new ERP system) and SAP inventory control; one hundred and ten (110) outside sales representatives who received Advance Sales Skills, D-E Telephone Etiquette, and Sales Product Knowledge will now take Business to Business and Customer Relations Management.

Continuous Improvement training will include Process Control, Quality Management, Troubleshooting, and Teambuilding. These courses will expand the roll of chemists and technicians to handle field inspections and trouble shooting situations before they become customer complaints. Additionally, all occupations will be trained in teambuilding, problem solving and decision-making enabling them to work in teams to improve quality and processes, reduce costs, and resolve problems.

Business Skills courses will include Customer Service, Customer Relations Management, and Business to Business knowledge, Advanced Product Knowledge, and Sales Skills. Training will assist managers and sales personnel to compete in a changing marketplace and meet stiffer competition from "big box" home improvement chains. The sales skills development classes are designed to teach retail salespeople advanced techniques to become a proactive, professional sales force that can maximize each sale and generate new business to keep company stores profitable and open.

Computer Skills courses will provide Software Application Program (SAP) knowledge to production and distribution workers, store and sales management, outside sales representatives, and technical support employees, giving them the tools and experience necessary to achieve company goals by understanding the new Dunn-Edwards Enterprise Resource Planning (ERP) system. All ETP trainees are expected to understand and utilize the new SAP software, which will rebuild the company into a profitable enterprise.

Management Skills training will include Employee Development, Coaching, Motivating, Mentoring, and Leadership skills. These courses will help managers and foremen develop their employees in the new, profit-oriented business climate that Dunn-Edwards must maintain. With the development of a high performance environment the Contractor hopes to instill pride of ownership in its employees. This atmosphere will allow Dunn-Edwards to achieve its goals of profitability through continuous improvement, reduced operating costs, and complete customer satisfaction.

The Contractor, together with California Training Coalition personnel, will administer the Agreement. The Steel, Paper House and Chemical Drivers, Helpers and General Warehouse Workers, Teamsters Local 578 also supports this training for the production workers of Dunn-Edwards.

NARRATIVE: (continued)

Supplemental Nature of Training

Since the company was founded in 1925, formal training has not existed; employee development has not been a priority. An employee would be hired in or transferred to a position on a “learn as you go” basis in job-specific skills. Until the first ETP Agreement, the company had provided only on-the-job skills training along with New Hire Orientation, Safety, Standard Operation Procedures, and out-of-state technical training seminars.

However, with the realization that more extensive and intensive training was needed, Dunn-Edwards developed its first ETP contract that included Continuous Improvement, Management Skills, Literacy Skills, Manufacturing Skills, Business Skills and Computer Skills. Three hundred sixty-three (363) employees out of 1,050 were trained. The company had planned a phased approach from the outset, starting with a conservative number of trainees and hours. The first Agreement accomplished only a portion of the company’s long-term goal. Dunn-Edwards now needs to finish training the entire workforce in a new skill base.

This new, proposed ETP training program continues to supplement rather than displace training that Dunn-Edwards would be able to provide using its own, limited resources. The company will continue New Hire Orientation, Safety, Standard Operation Procedures, and out-of-state technical training seminars at its own expense during the ETP training program.

Dunn-Edwards Corporation is committed to providing ongoing training and to investing more dollars and staff time into training to keep both products and employees’ skills on the cutting edge. It estimates that at least \$1,000,000 will be expended on training in the two years following the ETP funded training. This effort will be a continuation of current training to reinforce the skills recently acquired by the employees and will include Leadership for Management staff and Continuous Improvement for all employees. The company also proposes to develop focused career paths and succession planning for employees, implementing an individually focused training program with detailed tracking and follow up.

In-Kind Contribution

Dunn-Edwards will make an in-kind contribution to this program of approximately \$1,635,000, consisting of \$680,000 in trainee wages and fringe benefits paid during training and \$955,000 for costs not covered by ETP reimbursement including newly-hired replacement workers to cover employees in training; higher cost of staff performing training activities; training materials such as books and supplies; and training for non-eligible employees receiving ETP courses.

COMMENTS:

The majority of the participants in this project meet the Panel definition of frontline worker under Title 22, California Code of Regulations, Section 4400(ee) except for 115 Managers.

PROPOSED ACTION:

Staff recommends that the Panel approve the One-Step Agreement if funding is available and the project meets the Panel priorities. This recommendation is based on Dunn-Edwards' stated need to provide its employees with skills needed to become a high performance workplace to enhance the company's ability to remain competitive, to grow, and to ensure a continuing relationship with its customers. The implementation of this proposed training will enable the company to remain viable in the California economy.

TRAINING PLAN:

Grp/ Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Retraitees Job Numbers 1-2	Continuous Improvement Business Skills Management Skills Computer Skills	751	40-60	0	0	\$520-\$780	*\$10.98 - \$40.38
					<u>Range of Hourly Wages</u> *\$10.98 - \$40.38		
					<u>Prevalent Hourly Wage</u> \$14.88		
					<u>Average Cost per Trainee</u> \$658		
<u>Health Benefit used to meet ETP minimum wage:</u> *Health benefits may be added to reach the ETP minimum hourly wage for Alameda, Contra Costa, Marin, San Francisco, San Mateo and Santa Clara Counties (\$11.98); Los Angeles County (\$11.92); Orange County (\$11.74); Sacramento County (\$11.41); San Diego County (\$11.18); Ventura (\$10.99); and all other Counties (\$10.98).					<u>Turnover Rate</u> 10%	<u>% of Mgrs & Supervisors to be trained:</u> 15%	

Dunn-Edwards Corporation

Menu Training Curriculum

Class/Lab Hours

40 – 60

Trainees will receive any of the following:

CONTINUOUS IMPROVEMENT

Process Control/Quality Management

Troubleshooting

Team Building

- *Problem Solving/Decision Making*
- *Teamwork and Dunn-Edwards Process Improvement*

***MANAGEMENT SKILLS**

Leadership Skills

Employee Development

Coaching, motivating, mentoring

*Only Managers, Foremen, or managerial or supervisory personnel who oversee other staff may receive ETP-funded Management Skills training.

BUSINESS SKILLS

Customer Service

Business to Business (B2B)

Customer Relation Management

Product Knowledge

- *Color*
- *Paint Application Equipment*

Sales Skills

- *Selling in changing markets*
- *Understanding Customers' Needs*
- *Meeting Customers' Expectations*

COMPUTER SKILLS

Software Application Program (SAP)

- *Distribution*
- *Production- Inventory*
- *Store Sales and Management*
- *Outside Sales*
- *Technical Support*